

**DIRECT TESTIMONY OF
ROSE M. JACKSON
ON BEHALF OF
SOUTH CAROLINA ELECTRIC & GAS COMPANY
DOCKET NO. 2009-5-G**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION.**

2 A. My name is Rose M. Jackson, and my business address is 1400 Lady Street,
3 Columbia, South Carolina. I am employed by SCANA Services, Inc. (“SCANA
4 Services”) as General Manager – Gas Supply & Capacity Management.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND BUSINESS**
6 **BACKGROUND.**

7 A. I graduated from the University of South Carolina in 1988 with a Bachelor
8 of Science degree in Accounting. Following graduation, I worked for
9 approximately three (3) years as an accountant for a national security services
10 firm. In 1992, I began my employment with SCANA Corporation (“SCANA”) as
11 an accountant working directly for SCANA Energy Marketing, Inc. Over the
12 years, I have held varying positions of increasing responsibility including Energy
13 Services Coordinator, where I was responsible for scheduling gas for the Atlanta
14 Gas Light System; project manager for the implementation of an automated gas
15 management system; and Manager of Operations. In 1998, I became responsible
16 for gas procurement, interstate pipeline and local distribution company scheduling
17 and preparation of gas accounting information. In May 2002, I became Manager
18 of Operations and Gas Accounting with SCANA Services where I was responsible

1 for gas scheduling on interstate pipelines and gas accounting for all SCANA
2 subsidiaries. In November 2003, I became Fuels Planning Manager where I
3 assisted all SCANA subsidiaries with strategic planning and special projects
4 associated with natural gas. I held this position until promoted to my current
5 position in December 2005.

6 **Q. HAVE YOU TESTIFIED BEFORE THIS COMMISSION PREVIOUSLY?**

7 A. Yes.

8 **Q. WHAT ARE YOUR DUTIES AS GENERAL MANAGER – GAS SUPPLY &**
9 **CAPACITY MANAGEMENT?**

10 A. In regard to South Carolina Electric & Gas Company (“SCE&G” or the
11 “Company”), I am responsible for gas supply and capacity management functions.
12 Specifically, my responsibilities include the oversight of planning, procurement of
13 supply and capacity, nominations and scheduling, gas cost accounting, state and
14 federal regulatory issues concerning supply and capacity, and asset and risk
15 management.

16 **Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.**

17 A. The purpose of my direct testimony is two-fold. First, I discuss SCE&G’s
18 portfolio of gas supply, addressing the various gas supply and transportation
19 options available to the Company. Second, my testimony addresses risk
20 management in connection with volatile natural gas prices. This portion of my
21 testimony focuses on the benefits and operations of SCE&G’s financial hedging
22 program.

1 **I. GAS SUPPLY.**

2 **Q. PLEASE EXPLAIN THE GAS SUPPLY OPTIONS CURRENTLY**
3 **AVAILABLE TO SCE&G.**

4 A. There are three gas supply options that are available to SCE&G: (1) wellhead
5 gas supply; (2) underground storage; and (3) liquefied natural gas (“LNG”).
6 SCE&G’s gas asset portfolio includes each of these supply options, and the
7 Company has combined these supply options with interstate transportation to meet
8 its firm demand under varying weather conditions at reasonable cost.

9 **Q. PLEASE DESCRIBE THE AVAILABLE INTERSTATE PIPELINE**
10 **TRANSPORTATION OPTIONS.**

11 A. SCE&G purchases interstate pipeline transportation capacity on both a firm
12 and interruptible basis from the three (3) interstate pipelines that provide service to
13 SCE&G: Southern Natural Gas Company (“Southern”), Transcontinental Gas Pipe
14 Line Corporation (“Transco”), and Carolina Gas Transmission Corporation
15 (“CGTC”).

16 Interstate Firm Transportation (“FT”) service permits SCE&G access to
17 interstate pipeline transportation capacity on a priority basis. Interruptible
18 Transportation (“IT”) service is only available when FT customers, such as
19 SCE&G, are not using their FT capacity. IT service is curtailed when FT
20 customers use their capacity. In sum, FT and IT services use the same physical
21 pipeline capacity, with FT service having priority. SCE&G contracts for FT

1 service from the three interstate pipelines serving South Carolina to ensure
2 delivery of natural gas during colder periods when the full transportation capacity
3 of these pipelines is used and when the demand for natural gas service is typically
4 greatest. SCE&G currently holds 161,143 dekatherms (“Dt”) of firm capacity on
5 Southern and 64,652 Dt of firm capacity on Transco. In addition, SCE&G
6 contracts for 314,529 Dt of firm capacity with CGTC in order to deliver gas from
7 Transco and Southern and from SCE&G’s in-state LNG facilities to SCE&G’s
8 system. Exhibit No. __ (RJ-1) provides a summary of the firm transportation
9 contracts by pipeline supplier.

10 **Q. HAS SCE&G INCREASED ITS AVAILABLE TRANSPORTATION**
11 **CAPACITY SINCE THE COMPANY’S LAST PURCHASED GAS**
12 **ADJUSTMENT PROCEEDING?**

13 A. Yes, it has. During the period under review, SCE&G contracted with
14 CGTC for an additional 17,600 Dt of firm capacity in response to CGTC’s open
15 season. This acquisition provides additional capacity to certain regions in the
16 Company’s service area. The increased capacity also allows for flexibility in
17 reliably meeting natural gas demands on SCE&G’s system without contracting for
18 additional upstream capacity on either Transco or Southern.

19 **Q. HOW DOES SCE&G OPTIMIZE ITS FIRM TRANSPORTATION**
20 **CAPACITY?**

21 A. SCE&G optimizes its firm transportation capacity in several ways including
22 the following:

- “Segmentation” allows SCE&G to deliver up to twice as much supply on a portion of its firm capacity while paying only one demand charge. Interstate pipelines allow segmentation as long as the delivery point meter has sufficient capacity and gas supply does not cross the same delivery point.
- SCE&G shares interstate transportation capacity in the amount of 27,000 Dt/day between its gas and electric departments as previously authorized by the Commission in Docket No. 2006-5-G and pursuant to a Memorandum of Understanding (“MOU”). The gas department has the first call on this capacity during the winter months and the electric department has first call on this capacity during the summer months. Under the MOU, 32.32% of the fixed capacity costs associated with the shared capacity amount is assigned to the gas department based on the relative numbers of customers served by the two departments as of the time the MOU was executed. The department transporting gas under the MOU is also responsible for all volumetric charges and costs associated with the gas transported, including any imbalance costs or penalties.

Q. PLEASE EXPLAIN THE BENEFITS OF THE MOU TO SCE&G AND ITS CUSTOMERS.

A. The MOU is functioning as intended and is a beneficial tool to the Company. This arrangement promotes the efficient use of interstate transportation and storage capacity between the departments and reduces the cost included within the cost of

1 gas factor. Moreover, prior to developing the MOU, the gas department did not have
2 firm access to facilities allowing it to utilize gas supplied by the Elba Island
3 Liquefied Natural Gas Facility located near Savannah, Georgia. In conclusion, the
4 MOU allows SCE&G to use this additional source of natural gas supply to meet the
5 reliability and service needs of its natural gas distribution system at reasonable costs.

6 **Q. IS THE COMPANY AWARE OF ANY OTHER ISSUES THAT MAY**
7 **AFFECT THE COST OF NATURAL GAS TRANSPORTATION IN THE**
8 **NEAR FUTURE?**

9 A. Yes. Southern filed a request with the FERC to increase their rates for
10 transportation of natural gas by approximately 36%. Motion rates became effective
11 September 1, 2009 subject to refund pending the outcome of the case. SCE&G, on
12 behalf of itself and its customers, intervened in this matter to challenge the
13 reasonableness of the proposed rates. The parties to that matter have agreed to a
14 settlement in principle and hope to file a settlement agreement with FERC in October
15 2009. Although the settlement agreement, if approved, will be lower than the rates
16 originally requested by Southern, SCE&G's costs for transportation of natural gas
17 commodities on Southern will nevertheless increase. Therefore, the Company's cost
18 of purchased gas passed on to consumers will similarly increase. In her testimony,
19 Company Witness Alice Fox discusses the impact to SCE&G's rates expected from
20 Southern's rate increase.

21 SCE&G is an active participant in this process and is taking steps to protect
22 its interests and the interests of its customers. Because of the ongoing nature of this

1 matter, SCE&G will notify the Commission of the final resolution of this
2 proceeding.

3 **Q. PLEASE BRIEFLY DESCRIBE THE UNDERGROUND STORAGE**
4 **OPTION.**

5 A. After purchase, some wellhead gas is stored in underground facilities for
6 future use. Gas stored in these underground facilities can be withdrawn and
7 delivered to SCE&G's system during periods of high demand. Additionally, gas can
8 be injected and withdrawn from these facilities in order to "balance" the system on a
9 daily basis.

10 **Q. WHAT INTERSTATE STORAGE ASSETS ARE AVAILABLE TO THE**
11 **COMPANY TO AID IN DELIVERING RELIABLE AND SECURE GAS**
12 **SERVICE TO SCE&G CUSTOMERS?**

13 A. The Company currently has 4,908,848 Dt of storage on Southern's system,
14 with maximum daily withdrawal capability from this storage equaling 99,121 Dt
15 per day at peak storage inventory. On Transco, SCE&G subscribes to 650,823 Dt
16 per day of storage, with a maximum withdrawal quantity of 23,835 Dt per day at
17 peak storage inventory. Exhibit No. ____ (RJ-2) reflects total storage and
18 withdrawal capacity by pipeline supplier in a table format.

19 **Q. HAS SCE&G MODIFIED ITS STORAGE CONTRACTS SINCE THE**
20 **COMPANY'S LAST PURCHASE GAS ADJUSTMENT PROCEEDING?**

21 A. Yes. SCE&G elected to participate in the Transco Eminence Storage Field
22 Enhancement Project where Transco proposed to add an additional 4,735

horsepower compressor unit and appurtenant facilities. These improvements provided nine Transco customers, including SCE&G, with enhanced injection rights at the Eminence salt dome Storage Field in Covington County, Mississippi. The additional compression will give customers enhanced storage injection rights, thereby allowing for more injection and withdrawal cycles per year under Transco's Rate Schedule ESS. The incremental storage injection capability will allow participating Eminence customers to complete six injection and withdrawal cycles (turns) per year. This enhanced capability represents a substantial increase over the two turns per year which are currently available to the Eminence customers. SCE&G's portion of this additional storage injection capability is 3,767 Dt and will be in service on October 1, 2009. The project will not create any additional storage capacity or deliverability capability.

Q. PLEASE DESCRIBE THE LNG FACILITIES AND THEIR CAPACITIES.

A. SCE&G owns and operates two LNG facilities: one at Bushy Park near Charleston which can liquefy and store up to 980,000 Mcf of LNG, and the other at Salley, in Orangeburg County, which can store up to 900,000 Mcf of trucked-in LNG. LNG must be transported to Salley via truck because Salley has no liquefaction facilities.

Q. AT WHAT VAPORIZATION RATE CAN SCE&G USE THESE FACILITIES?

A. The combined storage capability of these facilities allows our system throughput planning to assume a maximum daily withdrawal quantity of 105,000

1 Mcf/day. For example, assuming that storage volumes are at maximum capacity,
2 Bushy Park's inventory would be exhausted in approximately 16 days if operated at
3 a withdrawal rate of 60,000 Mcf/day, and Salley's inventory would be exhausted in
4 approximately 20 days if operated at a withdrawal rate of 45,000 Mcf/day.

5 **Q. WHAT BENEFIT DO THESE LNG ASSETS PROVIDE THE COMPANY?**

6 A. SCE&G relies primarily upon its LNG assets to fulfill the peaking needs of
7 its system and customers. Additionally, the on-system LNG service significantly
8 adds to the reliability and security of gas supply during unfavorable operating
9 conditions that may occur from time to time. For example, SCE&G's supply of
10 gas could be unexpectedly interrupted because of a hurricane in the Gulf, or
11 because abnormally cold weather creates a spike in demand which in turn causes
12 equipment malfunctions, well freeze-ups, and other operational abnormalities
13 thereby limiting the supply of gas into South Carolina. In these instances, SCE&G
14 could employ the use of its on-system LNG facilities for a limited time to offset or
15 reduce any adverse effects caused by an upstream interruption.

16 Attached hereto as Exhibit No. ____ (RJ-3) is a comparison of SCE&G's
17 firm sales service to its capacity to deliver gas to serve firm demand. This exhibit
18 indicates that the Company will have firm assets sufficient to provide a 10.64%
19 operating reserve which is limited by the durational output of the LNG facilities.

1 **Q. WHY IS THE COMPANY'S OPERATING RESERVE CURRENTLY**
2 **HIGHER THAN EXPERIENCED IN PAST YEARS?**

3 A. There are two primary reasons why the Company's reserve margin was
4 higher during the period under review. First, in the previous Annual Review of
5 the Purchased Gas Adjustment for the Company, the peak design day demand
6 forecast was based on historical load growth. Due to the unforeseen economic
7 recession, the peak design day demand actual was lower than forecasted. This
8 decline reduced the Company's peak day demand requirements (firm sales service
9 to customers) by approximately 3,000 Dt for the upcoming winter season.

10 Additionally, as discussed previously, the Company determined that
11 additional capacity was needed from CGTC to reliably serve customers in certain
12 regions of its service areas based on historical load growth. As the Commission is
13 aware, SCE&G is not able to purchase transportation capacity in small portions as
14 its customers' needs grow. Rather, SCE&G must commit to larger segments of
15 capacity at the time the capacity becomes available and as required by its current
16 and future system demands.

17 Therefore, during the period under review, the combined effect of these two
18 factors has resulted in a reserve margin that is higher than experienced in the
19 recent past. However, as the Company's system continues to grow and the
20 economy improves, SCE&G anticipates that the margin will return to historical
21 levels.

1 **Q. HOW DOES SCE&G UTILIZE ITS COMBINED INTERSTATE**
2 **STORAGE AND ON-SYSTEM LNG TO ENSURE RELIABLE AND**
3 **SECURE GAS SERVICE?**

4 A. There are two dimensions to storage services: peak capability and duration.
5 SCE&G uses its storage to address both of these dimensions. Certain storage
6 services are geared toward providing large withdrawal quantities to meet spikes in
7 demand on very cold days but only for a short period of time. The storage
8 services in SCE&G's portfolio of this type include Transco LNG Storage Service
9 and both the Bushy Park and Salley LNG facilities located on SCE&G's system.
10 Accordingly, these storage services provide SCE&G with peaking capability.

11 Other storage services are geared toward meeting demand over more of the
12 winter period and not only on the coldest days. The storage services in SCE&G's
13 portfolio of this type include Transco Washington Storage Service ("WSS"),
14 Transco Eminence Storage Service ("ESS"), Transco General Storage Service
15 ("GSS") and Southern's Contract Storage Service ("CSS"). Therefore, these
16 storage services provide SCE&G with duration capability. Through the active
17 management of these assets, SCE&G is able to meet the needs of its firm
18 customers on the coldest days of the winter and over the entire winter.

19 **Q. PLEASE DESCRIBE THE CONSIDERATIONS EVALUATED BY SCE&G**
20 **IN ASSEMBLING ITS GAS SUPPLY PORTFOLIO.**

21 A. The Company's evaluations for assembling its gas supply portfolio include
22 reviewing the gas supply, storage, transportation, and other assets already under

1 contract. Other considerations include such things as geographical delivery
2 limitations, maximum volumes, storage ratchets, and the cost of the various
3 services. SCE&G then compares the resources against the firm demand under
4 varying weather conditions. Finally, the Company determines whether additional
5 resources are required to serve the firm demand under varying weather conditions.

6 **Q. PLEASE DESCRIBE THE USE OF EACH OF THESE VARIOUS**
7 **SERVICES WITHIN THE PORTFOLIO.**

8 A. SCE&G places different levels of reliance on its various supply sources
9 based on the time of year in question. Each management decision related to the
10 purchase of gas supply is based upon the best information available to SCE&G at
11 the time its decisions are executed. During the winter heating season, the
12 Company uses its wellhead gas as its principal supply, followed by the use of its
13 natural gas supply stored in underground storage facilities. Lastly, SCE&G
14 primarily uses its on-system LNG to meet the last increment of demand on the
15 coldest days or hours of the year.

16 As the winter progresses, this order of usage may be modified. For
17 example, if South Carolina experiences mild weather during the early part of the
18 winter and storage inventories are relatively high, then underground storage and
19 LNG withdrawals may be used instead of wellhead supply.

1 **II. HEDGING.**

2 **Q. BRIEFLY EXPLAIN THE ENVIRONMENT OF THE NATURAL GAS**
3 **MARKET IN WHICH SCE&G PARTICIPATES AND PURCHASES ITS**
4 **PHYSICAL SUPPLIES OF GAS.**

5 A. The market in which SCE&G competes today for its gas supply is a
6 national market which is dynamic and volatile, and volatility is influenced by
7 many factors. Weather fronts moving into the United States, particularly in the
8 northeast, impact the price of gas purchased for delivery in South Carolina. This
9 price impact on South Carolina delivered gas can be traced in part to the fact that
10 SCE&G purchases a portion of its gas supplies off Transco's system which serves
11 both the northeast and southeast markets. Since gas supplies available into
12 Transco's system must serve both markets, weather conditions in one market may
13 impact prices in the other market.

14 Demand for gas is highly dependent upon the time of year and changes
15 dramatically from season to season. For example, daily demand for supply by
16 electric power generators in the summer can cause a gas utility to "go to market"
17 on any given day for supply which may be equivalent to five or six times the
18 summer firm load of the local distribution company. In summary, usage varies
19 significantly from summer to winter and also from winter to winter and summer to
20 summer.

1 **Q. WHAT EFFECT DOES THE VOLATILE NATURE OF THE NATURAL**
2 **GAS MARKET HAVE UPON SCE&G?**

3 A. As a direct result of price volatility, SCE&G can encounter extreme price
4 changes in a relatively short period of time. This translates into unexpected price
5 increases for its customers that may lead to (i) social and economic costs associated
6 with higher utility bills and (ii) alternative fuel use and declining use per customer.

7 **Q. PLEASE DISCUSS THE STATE OF THE NATURAL GAS MARKET**
8 **DURING THE REVIEW PERIOD.**

9 A. In 2008, the supply / demand balance shifted from an extended period of a
10 very tight supply / demand balance, to an oversupply situation. A comparison of
11 U.S. natural gas demand for year to date 2009 to 2008 reveals a drop in total
12 demand of 2.1%, largely as a result of a 7.1% drop in industrial demand due to the
13 recession. In addition to the decline in demand, total 2009 supply increased by 1%
14 over 2008, despite a drop in Canadian imports of 14%. This additional supply is
15 largely a result of relatively new technology allowing extraction of natural gas
16 from shale deposits. As a result of this supply / demand shift and resulting storage
17 surpluses, prices fell from \$13.694 in July of 2008 to a low of \$2.692 in August of
18 this year. While prices remain relatively low, there is evidence that the market has
19 begun to respond to this change as production has fallen 3.9% from February 2009
20 to July 2009. The price uncertainty resulting from these unexpected and ever-
21 changing market conditions reflects why one invests in the protection provided by
22 a hedging program.

1 **Q. CAN THE IMPACT OF GAS PRICE VOLATILITY BE MITIGATED?**

2 A. Yes. From the outset it is important to understand that SCE&G cannot
3 eliminate or change gas price volatility. This is because gas price volatility is
4 influenced by factors beyond SCE&G's control. SCE&G can, however, attempt to
5 mitigate the impact of gas price volatility by seeking to reduce its exposure to gas
6 cost risk. While there is no "best" approach to gas cost risk management, the impact
7 of gas price volatility may be mitigated through the implementation of a financial
8 concept known as "hedging."

9 **Q. PLEASE EXPLAIN HEDGING.**

10 A. As used in the natural gas industry, hedging is defined as the practice of
11 initiating a position in the financial market in order to offset the price risk deemed to
12 be associated with a company's position in the physical market.¹ Stated differently,
13 hedging is a mechanism designed to mitigate the impact of price volatility.

14 **Q. DOES SCE&G CURRENTLY OPERATE A HEDGING PROGRAM?**

15 A. Yes. In Order No. 2008-546, dated August 8, 2008, in Docket No. 2008-5-
16 G, the Company was authorized to use dollar cost averaging as its primary tool in
17 its hedging program, and the Company adhered to this authorization in operating
18 its hedging program during the period under review.

¹ Derivative and Risk Management Glossary, Kase and Company, Inc.

1 **Q. IS THERE A LIMIT ON HOW MUCH THE COMPANY WILL SPEND TO**
2 **PURCHASE A CALL OPTION?**

3 A. Pursuant to the terms of the Company's Settlement Agreement with the South
4 Carolina Office of Regulatory Staff approved by the Commission in Order No. 2008-
5 546, dated August 8, 2008, the Company purchases call options where the premium
6 for any call option purchased is the lesser of or equal to: 1) 10% of current market
7 price of natural gas for the month being hedged, or 2) the cost of an at-the-money
8 call option for the month being hedged. An option is "at-the-money" if the strike
9 price is the same as the current price of the underlying security on which the option
10 is written. The strike price is the price the option holder must pay for the commodity
11 if the option is exercised.

12 **Q. WHAT VOLUME OF NATURAL GAS HAS THE COMMISSION**
13 **AUTHORIZED THE COMPANY TO HEDGE?**

14 A. In Order No. 2008-546 the Commission reduced the volume of natural gas
15 SCE&G is permitted to hedge from fifty percent (50%) to twenty-five percent (25%)
16 of estimated gas purchases for firm customers.

17 **Q. DOES SCE&G ALWAYS HEDGE TWENTY-FIVE PERCENT OF**
18 **ESTIMATED GAS PURCHASES FOR FIRM CUSTOMERS?**

19 A. No. The Company may decide to implement hedges at levels lower than 25%
20 based upon many factors including, but not limited to, market analysis, consultation
21 with other market participants, and other publicly and privately available
22 information.

1 **Q. WHAT IS THE GOAL OF SCE&G’s HEDGING PROGRAM?**

2 A. The goal of SCE&G’s hedging program is to mitigate the impact of extreme
3 price fluctuations present in the natural gas market incurred by SCE&G and
4 ultimately its customers in a cost-effective manner. This goal, however, should not
5 be confused with costs savings. In fact, it should be noted that, while a hedging
6 program is designed to protect against exposure to the highest gas prices, it will limit
7 the purchase of gas at the lowest gas prices when gas prices are falling. The impact
8 of price volatility is mitigated by SCE&G through the purchase or sale of financial
9 contracts made available through financial markets such as the New York
10 Mercantile Exchange (“NYMEX”).

11 **Q. HOW HAS SCE&G’S HEDGING PROGRAM PERFORMED DURING THIS**
12 **REVIEW PERIOD?**

13 A. During the review period, the hedging program added approximately \$1.5
14 million to the cost of gas. However, the hedging program functions much like
15 insurance, that is, a premium is charged in exchange for protection against a
16 particular event. SCE&G must purchase physical supplies of natural gas to serve its
17 customers; the hedging program provides a measure of protection to these customers
18 against the potential costs of the continued, steady, and often unexpected and
19 dramatic increase in the monthly cost of gas. In addition to the direct benefit of
20 mitigating price volatility, the hedging program provides the Company with an
21 additional means to diversify its natural gas purchasing portfolio. The availability of

1 different purchasing tools provides the Company with varying options, which helps
2 mitigate occurrences of volatility in the natural gas market.

3 As SCE&G stated in its testimony in Docket No. 2006-257-G, the benefits of
4 a hedging program are not measured by whether there are additions to or subtractions
5 from the cost of gas. The goal is to mitigate the volatility of natural gas market
6 prices over the long run subject to the costs of operating the program. The additions
7 to the cost of gas for this review period reflect that gas prices generally trended
8 downward during the period.

9 It should also be noted, though, that the balance between gas supply and
10 demand is beginning to return to equilibrium. However, anything that disturbs this
11 balance, such as hurricanes in the gulf, colder than normal weather in the winter,
12 malfunctioning equipment which affects supply, or other such events will have
13 dramatic and sudden upward impact on prices. This volatility to the upside is what
14 SCE&G seeks to mitigate through its hedging program.

15
16 **III. COMPANY'S REQUESTS.**

17 **Q. IN REGARD TO THE COMPANY'S PURCHASING PRACTICES, WHAT**
18 **ARE YOU REQUESTING OF THE COMMISSION IN THIS**
19 **PROCEEDING?**

20 **A.** During the period under review, SCE&G contracted for sufficient supplies of
21 natural gas and provided reliable service to its customers. SCE&G also adequately

1 maintained gas, storage, and transportation assets for its system during the period
2 under review at levels that were prudent and reasonably met the reliability and
3 service needs of the system. It is my opinion that SCE&G's acquisition and
4 management of these assets during the period under review has been prudent and
5 reasonable. Therefore, I respectfully request the Commission find that SCE&G's
6 cost for gas purchases and asset management were reasonable and prudent for the
7 period under review.

8 **Q. IN REGARDS TO HEDGING, WHAT ARE YOU REQUESTING OF THE**
9 **COMMISSION IN THIS PROCEEDING?**

10 A. With regard to hedging, I respectfully request that the Commission find that
11 the Company prudently operated the hedging program consistent with Order No.
12 2006-679 and 2008-546 and recovered its cost through the cost of gas recovery
13 mechanism approved by the Commission in Order No. 2006-679. No changes are
14 proposed for the hedging program at this time, and the Company is continuing to
15 operate the hedging program for the current period beginning August 1, 2009 under
16 the terms approved by the Commission in Order No. 2006-679 and 2008-546.

17 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

18 A. Yes.

South Carolina Electric & Gas Company
Existing Firm Transportation Contracts

		Maximum Firm Transportation Dt/Day	Expiration Date
Southern			
FSNG349-1 FT	Firm Transportation	31,005	October 31, 2010
FSNG349-2 FT	Firm Transportation	22,684	October 31, 2010
FSNG349-4 FTNN	Firm Transportation	80,472	October 31, 2010
FSNG349-5 FT	Firm Transportation	26,982	October 31, 2010
		<u>161,143</u>	
Transco			
Z1 - Z5	Firm Transportation	3,209	December 30, 2012
Z2 - Z5	Firm Transportation	4,720	December 30, 2012
Z3 - Z5	Firm Transportation	3,587	December 30, 2012
Z3 - Z5	Firm Transportation	7,360	December 30, 2012
Station 65 (Sunbelt)	Firm Transportation	39,606	October 31, 2017
Station 85 (Sunbelt)	Firm Transportation	6,170	October 31, 2017
		<u>64,652</u>	
Carolina Gas			
	Firm Transportation	17,600	October 31, 2011
	Firm Transportation	296,929	October 31, 2012
		314,529	

Note: The Transco and Southern systems interconnect with the Carolina Gas system at a number of metering stations. Supply transported using the firm capacity contracted for the Southern and Transco systems are, in most instances, delivered to SCE&G's 96 delivery points by Carolina Gas. Thus, firm transportation capacity on the Transco and Southern systems cannot be aggregated with the firm transportation capacity on Carolina Gas to reflect accurately the firm transportation capacity available to deliver gas to SCE&G's customers.

INTERSTATE STORAGE AND LNG STORAGE**I. Interstate Storage**

<u>Pipeline</u>	<u>Type</u>	<u>Maximum Storage Quantity</u>	<u>Maximum Daily Withdrawal Quantity</u>	<u>Contract Expiration Date</u>
Southern	CSS	4,908,848	99,121	August 31, 2010
Transco	ESS	18,886	1,877	September 30, 2029
Transco	ESS	154,049	15,468	September 30, 2029
Transco	GSS	26,365	503	March 31, 2013
Transco	WSS	447,938	5,270	March 31, 2011
Transco	LNG	3,585	717	October 31, 2016
Total Transco		650,823	23,835	
Total Interstate		5,559,671	122,956	

II. SCE&G On-System LNG (in mcf)

SCE&G	LNGS	1,880,000	105,000
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Note: All values are stated in Dt, unless otherwise noted

South Carolina Electric & Gas Company
Available Capacity to Serve Firm Sales Service Demand

	<u>Reserve Capacity (Dt)</u>
CGTC Firm Interstate Capacity	314,529
SCE&G Shared CGTC Interstate Capacity	27,000
Segmented CGTC Interstate Capacity	<u>40,000</u>
Total Capacity to Deliver Gas to SCE&G via CGTC	381,529
 SCE&G's Peak Design Day Demand (Firm Sales Service to Customers)	 371,343
Less: Direct Connect Firm Sales Service Customers	<u>26,504</u>
Net SCE&G Firm Sales Service Customers behind CGTC	344,839
 Reserve dts	 <u><u>36,690</u></u>
 Reserve %	 10.64%